

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES)
OF THE WESTERN BRACKEN) CASE NO. 8156
WATER DISTRICT)

O R D E R

Preface

On February 26, 1981, the Western Bracken Water District ("Applicant") filed with the Public Service Commission, formerly the Utility Regulatory Commission, its duly verified application seeking approval of proposed adjustments to its existing rates for providing water service. The rate increase sought by the Applicant would yield gross annual revenues from water sales of approximately 43% over test-year operations.

This case was set for hearing at the Commission's offices in Frankfort, Kentucky, on May 19, 1981, at 1:00 p.m., Eastern Daylight Time. All parties of interest were notified in the manner prescribed by Kentucky Revised Statutes, with the Consumer Intervention Division of the Attorney General's office being permitted to intervene in this matter. Additional information which was requested at the hearing has been filed and the entire matter is now considered to be fully submitted for final determination by this Commission.

TEST PERIOD

For the purpose of determining the reasonableness of the proposed rates, the twelve-month period ending December 31, 1980, has been accepted as the test year. Adjustments, where found significant and reasonable, have been included to reflect more current operating conditions.

REVENUES AND EXPENSES

The Applicant proposed several pro forma adjustments to actual operating revenues and expenses as reflected in its comparative income statement for the twelve months ended December 31, 1980. The Commission finds these adjustments allowable and has accepted them for rate-making purposes with the following exceptions:

1. Operation Supplies and Expenses-Pumping

Applicant made a pro forma adjustment of \$1,168.70 to the account, Operating Supplies and Expenses-Pumping, for the purpose of purchasing a new pump after the test period. The Commission considers this transaction a capital expenditure and has, therefore, denied the cost of the pump as a pro forma expense item.

2. Depreciation Expense

The Commission is of the opinion that the allowance for depreciation expense should be computed on the basis of original cost of utility plant in service less contributions in aid of construction. The allowable depreciation expense adjustment of \$8,371.64 was computed as follows:

Plant in service of \$395,227.59; less, contributions in aid of construction of \$61,030.24 x 2.505% = \$8,371.64.

Therefore, the Applicant's adjusted operations at the end of the test period are as follows:

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
Operating Revenues	\$ 45,766	\$ -0-	\$ 45,766
Operating Expenses	32,047	17,452	49,499
Net Operating Income (Loss)	\$ 13,719	\$(17,452)	\$(3,733)
Interest Expense	11,722	(270)	11,452
Net Income (Loss)	<u>\$ 1,997</u>	<u>\$(17,182)</u>	<u>\$(15,185)</u>

DEBT SERVICE COVERAGE

Applicant's rates, as proposed, produce total operating revenue of approximately \$65,404. Moreover, Applicant had miscellaneous service revenue of \$36 during the test year.

Applicant's adjusted annual debt service cost is \$18,452, and the resulting debt service coverage produced from the allowed rates for water sales is calculated as follows:

Adjusted Operating Revenue	\$ 65,440
Less:	
Adjusted Operating Expenses	49,499
Net Operating Income	<u>\$ 15,941</u>
Net Operating Income	\$ 15,941
÷ Debt Service Cost	18,452
Debt Service Coverage	<u>.864</u>

The Commission is, therefore, of the opinion that the proposed rates should be approved as the rates generated will be sufficient to pay Applicant's operating expenses and improve its financial position.

FINDINGS IN THIS MATTER

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds that:

1. The rates prescribed and set forth in Appendix A, attached hereto and made a part hereof, should produce gross annual revenues of

approximately \$65,404 and are the fair, just and reasonable rates to be charged for water service rendered by the Applicant.

2. The Commission further concludes that gross annual revenues in the amount of \$65,440 are necessary and will permit the Applicant to meet its adjusted operating expenses and improve its financial position.

ORDERS IN THIS MATTER

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the rates prescribed and set forth in Appendix A, attached hereto and made a part hereof, are hereby fixed as the fair, just and reasonable rates of the Western Bracken Water District to become effective for water service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the Applicant shall file with this Commission, within 30 days after the date of this Order, its tariff sheets setting forth the rates approved herein. Further, that a copy of the Applicant's Rules and Regulations for providing service to its customers shall be filed with said tariff sheets.

Done at Frankfort, Kentucky, this 5th day of June 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Voth
Chairman

Katherine Bendall
Vice Chairman

Don Clarys
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8156 DATED JUNE 5, 1981

The following rates are prescribed for all customers served by Western Bracken Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect prior to the date of this Order.

Applicable: Entire Area Served

Available: To Domestic, Farm, Commercial and Industrial customers

RATES:

Class C Service Only

First	1,000 gallons used per month	\$ 6.50 Minimum
Next	2,000 gallons used per 1,000 gallons	2.50 / 1,000 gallons
Next	2,000 gallons used per 1,000 gallons	2.00 / 1,000 gallons
Over	5,000 gallons of water used/per 1,000	1.50 / 1,000 gallons

Class B Service Only

First	5,000 gallons used per month	\$11.00 Minimum
Next	5,000 gallons used per month	2.00 / 1,000 gallons
Next	5,000 gallons used per month	1.75 / 1,000 gallons
Over		1.50 / 1,000 gallons

Field Rate

Rate Schedule

First	1,000 gallons used per month	\$ 6.50 Minimum
Each Additional	1,000 gallons	1.50 / 1,000 gallons

Commercial Rate

Available to Loading Stations
Rate Schedule

First	10,000 gallons used per month	\$21.25 Minimum
Each additional	1,000 gallons	1.50 / 1,000 gallons

Schools Rate

Rate Schedule

First	40,000 gallons used per month	\$67.25 Minimum
Each additional	1,000 gallons	1.50 / 1,000 gallons